



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

The author recommends that the superintendent of the training school be chosen primarily because of his fitness as an educator and disciplinarian, and secondarily for his ability as a business man and a farmer, and that he should have a long tenure of office. As long as the superintendency is subject to political consideration, just so long will it be impossible for the superintendent to know the history of his boys, to appreciate their aspirations, and to be sympathetically concerned about their future welfare. Above all others, the delinquent boy needs some one who takes a paternal interest in him—one to whom he can look for fairness and intelligent guidance.

H. R. BONNER.

U. S. Bureau of Education.

Profits, Wages and Prices. By David Friday. New York, Harcourt, Brace & Howe, 1920. Pp. v, 256.

This little book, with its fresh and concrete treatment of questions which interest every one, is enjoying a well-deserved popularity. Statisticians have a special reason for reading it, for Professor Friday cultivates that quantitative type of economic theory for whose development they hope.

Several years ago Professor Friday began to use his connection with a firm of public accountants to study the profits of business enterprises with special reference to corporate savings. When the United States entered the war, he put his results at the disposal of the Treasury. Presently he was asked to enlarge the scope of his inquiries and to estimate how much the country could pay in taxes and how many billions it could lend in government bonds. In working for the Treasury, Professor Friday had access to all the relevant data in possession of the government bureaus, and opportunity to have his estimates criticised by the best informed men in financial circles, official and private. After the armistice, he returned to the University of Michigan and had leisure to combine with his own materials the information at every one's disposal. As a result of these varied experiences, he doubtless knows more than any one else about certain aspects of the economic history of the United States during the war.

The topics which he discusses in this book include the fluctuations of profits, interest, and wages during the war, the revolution in prices, the financial plight of public utilities, and the desirability of maintaining income and excess profits taxes at their present high levels. Instead of attempting to digest his conclusions on all these topics, I shall merely give a sample or two to show the kind of results at which he arrives. The first sample shows how that familiar fiction of economic theory, the normal rate of profits, is transformed when squarely faced by a statistician.

"The most that can be said for the normality of profits is that the amount of capital that earns the average rate of profits will remain a fairly constant percentage of all capital. Also, that the amount of capital that earns less than the average rate or more than the average remains about the same one year with another. But the average itself is highly variable and the diversity of earnings for individual establishments is enormous even in so conservative and steady a business as banking" (p. 45).

The next quotations give certain interesting quantitative conclusions.

"It is no exaggeration to say that not more than one-fourth, and probably not more than one-fifth, of the whole volume of corporate profits was actually spent by the stockholders of these concerns. The other 80 per cent went for taxes, for loans to finance the war, and to furnish the funds for industrial expansion" (p. 68).

DISTRIBUTION OF VALUE ADDED BY MINING, MANUFACTURING, RAILROAD, AND
PUBLIC UTILITY CORPORATIONS

1913-1918

(IN PERCENTAGES)

Year	Total value added	Wages	Taxes	Interest	Dividends	Surplus less deficit
1913.....	100.0%	63.9%	3.8%	8.9%	18.5%	4.9%
1916.....	100.0	56.6	4.0	6.0	14.3	19.1
1917.....	100.0	54.3	11.5	3.8	15.0	13.4
1918.....	100.0	61.0	13.7	5.4	11.7	8.2
1919.....	100.0	70.2	9.0	5.0	11.1	4.7

"These figures, without doubt, show pretty accurately the division of the product of these industries and the tendency of the respective shares of labor, capital and the state to increase or decrease" (p. 124).

Practically the most important and statistically the most doubtful of Professor Friday's conclusions concerns the "enormous increase of production over consumption" (p. 91) which he says "made possible" our "feats of war finance." From his belief in this increase he derives the optimistic view ". . . that we have such a reserve of productive capacity in this country that the possibility of raising the real wages of labor to the point where the means of well-being shall be realized for all classes remains no longer a mere dream. It has become a possibility" (p. 235). To realize this possibility he makes a practical suggestion which promises to attain wide celebrity. National production is now kept down by the frequent occurrence of dull times.

"The fundamental reason why production is retarded when only low profits are in sight is that a situation which yields small profits is one in which the prices of products and those of cost goods are close together. . . .

"The factor that prevents a full realization of our productive capacities is this risk of loss. . . . It is pertinent, therefore, to inquire into the possibility of decreasing industrial risk through formal organization. . . . If it were possible to guarantee every entrepreneur at least his operating expenses, including depreciation, the risk of loss would be minimized.

"Such a guaranty could be made only by the government, for it alone can exercise the taxing power necessary to take from the more fortunate industries those fortuitous profits which are the obverse of the losses incident to the modern industrial process. . . ." (pp. 246-8).

I do not think the merit of this suggestion is seriously compromised by rejecting Professor Friday's view that the war caused an extraordinary increase of production. What statistical information we have regarding the physical volume of output during the war—such as the index number of the volume of raw materials produced in 1913-1918 (published in the Summary of the War Industries Board's *History of Prices During the War*), the index numbers of agricultural and mineral products, compiled by Professor E. E. Day for the *Review of Economic Statistics*, the various series made by Mr. Carl Snyder for the Federal Reserve Bank of New York, and the index of production presented by Professor W. W. Stewart before the recent meeting of the American Economic Association—all indicates that the increase in productivity during the war differs little if any from that characteristic of the piping times of peace. The true state of affairs, indeed, is suggested by Professor Friday himself in a different passage. On page 134 he says "1916 saw a material increase in productive output in this country" (just such an increase over 1914 as we expect

to find between the output of a very dull and a highly prosperous year). "This was further augmented in 1917 [though by a narrow margin] and was pretty well maintained during 1918."

This point is not the only one in the book to which exception may be taken on statistical grounds, though the other points are less important. Even when we differ from Professor Friday, however, we remember with gratitude that he is writing the kind of economic theory that deals with facts, the kind that is definitely right or definitely wrong, the kind that is capable of cumulative development if the rest of us in criticising imitate his use of quantitative methods.

WESLEY C. MITCHELL.

New School for Social Research.

Trends of School Costs. By W. Randolph Burgess. New York, Russell Sage Foundation, Department of Education. 1920. Pp. 139.

Trends of School Costs undertakes an analysis of the trends of teachers' salaries and school-building costs in the United States from 1841 to 1920. Other elements of expenditure for public schools are given little attention on the ground that the items are scattered, and constitute, when combined, only about one-fifth of total school costs. Index numbers for the full period from 1841 to 1920 are developed for the weekly salaries of men teachers and women teachers, both in city and in country schools. An index number for building costs is obtained for the period 1913 to 1919. Teachers' salaries are compared with the cost of living and with the wages of laborers and artisans, and trends are computed for all the more important series. The conclusion is reached that the school budget of 1915 must be doubled in 1920 if pre-war standards of public school education are to be maintained.

The conclusion that school budgets must be greatly increased leads Mr. Burgess, in the final chapter, to consider possible sources of income for the support of public education. He points out that nearly four-fifths of current school revenues are derived from local taxation, and that two-thirds of local revenues are obtained from the general property tax. To meet the doubled school budgets now required, municipalities must do more than reapportion their current expenditures. Large additional revenues must be raised. Mr. Burgess expects such revenues to be obtained principally from increased taxes upon real estate. "The real estate tax is a sound method of taxation, and, in spite of large increases in the tax rate of recent years, there are no indications that the rate which real property can bear has been reached."

In arriving at this conclusion, Mr. Burgess is traveling from the problems of education far afield into difficult questions of public finance. Possibly his conclusions regarding prospective sources of enlarged city revenue are consequently not to be taken too seriously. Certainly there can be no adequate discussion of municipal resources without a careful examination of the possibilities of increased local revenues from new forms of business taxation. Furthermore, there are important possibilities in extensions of the principle of grants to towns and cities from state authorities. It will be surprising if the next few years fail to show an increasing tendency toward centralization of school administration, with an accompanying resort to partial state collection of funds and subsequent grants to local treasuries from state authorities. In view of these possibilities, it has hardly yet been demonstrated that city schools must be financed as largely as in the past from the proceeds of the general property tax.

In his analysis of the elements of school expenditure, Mr. Burgess is upon more solid ground. The first chapter of his book deals with the mounting costs of education